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Organizational Slack as Enabler of Internationalization: The Case of Large Brazilian Firms

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The Case of Large Brazilian Firms

Abstract

In this paper, we address an empirical puzzle. We note that a deliberate and serious drive to internationalize has occurred rather late in the evolution of large Brazilian firms. Meanwhile, and despite their late internationalization, these Brazilian firms expanded rapidly and intently. Despite the rich literature on Emerging Market Multinational Enterprises (EMNEs), there is still much contention on what drives rapid EMNE internationalization, particularly for the less explored firms from Latin America. Using an inductive case study of five leading Brazilian MNEs, we bring new insights on this neglected question. We unveil that the existence of organizational slack (of operational, managerial, and financial nature) can indeed facilitate rapid internationalization, particularly when triggered by unique home country conditions (e.g., regulation; rising cost of doing business at home; exhaustion of profitable growth opportunities in the domestic market).

Keywords: organizational slack, internationalization, Brazilian firms, emerging market multinationals; Latin American multinationals.

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1. Introduction

It is widely agreed that expanding business activity across national boundaries is one of the most important and complex strategic decisions encountered by managers (Johanson and Vahlne, 1977; Tseng, Tansuhaj, Hallagan and McCullough, 2007). Reasons for internationalization are complex and include resource-, market- and efficiency-seeking motives (Dunning, 1988), as well as a desire to seek strategic assets, escape investment, trade-supportive investment, finance-supportive investment, management-supportive investment and passive investment (Cuervo-Cazurra, Narula and Un, 2015; Cuervo-Cazurra and Ramamurti, 2015; Dunning, 1993; Guillen and Garcia-Canal, 2009). While the study of internationalization motives has been conducted largely in the context of Advanced Market Multinational Enterprises (AMNEs), some recent research has turned the focus to Emerging Market Multinational Enterprises (EMNEs) (Gaffney, Kedia and Clampit, 2013; Guillen and Garcia-Canal, 2009; Kirca et al., 2012; Tseng, et al., 2007), offering new insights and indication of the distinctiveness of the two types of multinationals (Tan and Peng, 2003).

Nevertheless, studies on EMNEs have not only been rather dispersed, but they have been largely based on Chinese (i.e. Li, Strange, Ning and Sutherland, 2016; Bhaumik, Driffield and Zhou, 2016) and, to a lesser extent, Indian firms (Buckley, Forsans and Munjal, 2012; Ciravegna, Fitzgerald, and Kundu, 2013). Research on EMNEs from different institutional contexts can further advance our understanding of this increasingly important type of global enterprise. Understanding the dynamics of evolution within each emerging market, and identifying the opportunities and challenges domestic markets are facing, we can fully comprehend the ouderlying drivers and conditions that facilitate EMNEs internationalization (Drummond, 2012).

In this paper, we address an empirical puzzle. We note that a deliberate and serious drive to internationalize has occurred rather late in the evolution of large Brazilian firms. These firms have embarked on a major campaign to pursue international opportunities only in the past decade or so, while their counterparts in other emerging markets had begun their internationalization drives at least a decade earlier. Meanwhile, and despite their late internationalization, these Brazilian firms expanded rapidly and intently. In his context, Bell et al. (2003) wrote about "Born-again global firms", firms that while operating for a number of years on a national base, due to a critical event, they changed the strategy and internationalized rapidly (Bell et al., 2003: 351). Unfortunately, we know little about these firms, their drivers and triggers to internationalization (Kallinic & Forza, 2012). In the current study, we provide new insights on this neglected question, exploring what may have finally prompted but also facilitated large Brazilian firms to pursue late, but vigorous internationalization.

We adopt an inductive case analysis of five leading Brazilian firms and contribute to the IB literature in two distinct ways. First, we inform the literature about distinct enablers to internationalization that have spurred these Born-again global Brazilian firms'. As argued by Brenes, Montoya, and Ciravegna (2014), Latin American MNEs are underrepresented in the extant literature, a fact which is rather unfortunate given their increasing presence in the global economy. Latin America provides an interesting and rather unique context for testing old theories and generating new insights on the internationalization of EMNEs (Aguilera, Ciravegna, Cuervo-Cazurra, and Gonzalez-Perez, 2015). In addition, Latin America is home to some of the most notable global players (Aguilera et al., 2015). Brazil is a particular case among Latin

American markets with 11 firms featured among the Boston Consulting Group's (100) global challengers and two firms among BCG's (19) graduates (BCG, 2016). To this end, we investigate five of the largest Brazilian firms that have embarked upon late, but intense, internationalization. All are leaders in their respective industries at home.

Second, we unravel insights on the importance of specific organizational drivers that have motivated and facilitated those Brazilian firms' late – but intense - internationalization. Using an inductive case approach, we seek an explanation based on insights from senior managers, and identify key determinants that led not only to the decision, but also the success of the endeavor. To this end, we reveal one common denominator, the role of organizational slack. We define organizational slack as excess firm resources and capabilities that can be deployed for new strategic objectives. While some limited research has also linked internationalization to organizational slack (Lin, Cheng, and Liu, 2009; Poynter and White, 1984; Tseng et al., 2007), there is scant evidence on the role of slack in the late internationalization of EMNEs. We find convincing evidence which suggests that the Brazilian firms studied here had accumulated substantial slack resources, triggering an accelerated pace of internationalization activities, only when certain facilitating conditions were also present in the home market.

Finally, and in resolving this puzzle, we acknowledge the partial role of increasingly unfavorable home market conditions (e.g., increasing competition, shrinking domestic market shares, legal restrictions to growth in the domestic market, and rising cost of doing business at home), as the "critical incident" denoted by Bell et al. (2003) and Kalinic & Forza (2012).

The remainder of this paper is organized as follows. We first provide a brief review on the determinants of EMNE internationalization and identify the context-specific attributes of the Brazilian market. We then describe the methodological approach, as well as our data collection efforts. We then report our findings and interpretations, and relate these to key theoretical foundations.

2. Determinants of EMNEs Internationalization: The Brazilian Case

Deciphering the puzzle of EM (emerging market) firms' internationalization has never been an easy endeavor. Generally assumed to be lacking key strategic resources – e.g., technological, managerial and organizational means – resource, and strategic asset-seeking (Dunning, 1988, 1993) have been frequently presumed to be driving their internationalization activities (Buckley, Munjal, Enderwick and Forsans 2016; Luo and Tung, 2007). As a result, EM firms would be assumed to be 'pushed' abroad either as a way to obtain external resources so they can more effectively overcome barriers of internationalization and liability of foreignness (Zaheer, 1995), or as a way of escaping increasingly less favorable conditions at home.

Emerging markets are typically more volatile and tend to suffer higher variation in demand conditions. There may be times of reduction (or deceleration) in demand. As argued by Sing (1986), dissatisfaction with performance tends to induce higher risk taking; especially when continuation of past paths (e.g., competition in the domestic arena) "lead[s] to undesirable results due to changes in internal or external environments, top managers intentionally pursue path-breaking strategies" (Kalasin, Dussauge, and Rivera-Santos, 2014: 76-77). Therefore, expectations of lower than desired prospects in the domestic market may prompt a firm to be pushed into taking up international forays as a way of escaping increasingly less favorable conditions at home (Guillen and Garcia-Canal, 2009).

While the recent expansion of Brazilian firms internationally has gained some limited attention in the literature (e.g., Aguilera et al, 2015; Fleury and Fleury, 2009; Williamson, Ramamurti, Fleury and Fleury, 2013), the case of Brazil poses an interesting puzzle. For many years, the Brazilian firms shied away from international forays, perhaps lacking a global mindset (Da Rocha and Da Silva, 2009; Da Rocha, Da Silva and Carneiro, 2007). The turbulent political environment and certain macroeconomic deterrents (e.g., foreign exchange volatility, high interest rates, and lack of long-term financing sources), coupled with the deficient logistics infrastructure for exports, prevented most Brazilian firms from undertaking significant internationalization drives, and led them to pursue just a few sporadic export initiatives (Da Rocha, 2003). Furthermore, the possibility of expanding abroad via foreign direct investment was avoided as these firms are typically vertically integrated (as a consequence of lack of access to (foreign or domestic) suppliers in the past), which made it difficult to replicate their domestic market success abroad (Cyrino and Tanure, 2009). Finally, the isolation of Brazil – protectionist policies, geographical barriers (the Andes mountain range, the water lands (Pantanal) and the Amazon Forest), and cultural differences allowed these firms to seek growth opportunities at home (Da Rocha, 2003).

Remarkably, in the most recent decade, many established Brazilian firms have finally made significant ventures into international markets (e.g., Aguilera et al., 2015; Fleury and Fleury, 2009; Williamson et al., 2013). Key external circumstances transforming the Brazilian environment, stimulating as such internationalization, have already captured scholarly attention (Carneiro and Brenes, 2014). Such conditions include: economic, fiscal and institutional stability (after the Real Plan in 1994); the wave of globalization; saturation of the domestic market (for some sectors); economic liberalization and openness to foreign competitors on Brazilian ground; productive reconfiguration and enhanced competitiveness, and privatization. In addition, investments in professional and managerial education, establishment of the Mercosur trade bloc, a new generation of managers (younger, with language skills, professional experience abroad and a global mindset), client following, network pressures, and the availability of long-term funding from BNDES (the national development bank) also made it possible for some firms to engage in international acquisitions. Carneiro and Brenes (2014) report further on the desire to diversify country risk, while Anand, Brenes, Karnani, and Rodriguez (2006) and Fleury and Fleury (2011) mention the need to develop competitive advantage as a way to address foreign competition.

While the above external factors certainly seem to have contributed to a more favorable environment for firm internationalization in Brazil, the question of *why well-established Brazilian firms took so long to exploit foreign market opportunities in a serious manner* remains an intriguing one. We contend that, while environmental variables paved the way for internationalization, becoming the "critical incident" behind their decision (Bell *et al.*, 2003), internal circumstances had to be in place – before even these conditions arise – for a wholehearted engagement in internationalization. As Guillen and Garcia-Canal (2009: 25) succinctly claimed: "Multinational firms exist because certain economic conditions and proprietary advantages make it advisable and possible for them to profitably undertake production of a good or service in a foreign location."

But what are these proprietary advantages, and how did they facilitate the late but accelerated internationalization of large Brazilian MNEs? These questions remain still largely unanswered. While more and more evidence come to light suggesting that EMNEs are not simply "pushed" into internationalization, but can also be "pulled" into it by their unique resources and capabilities [i.e., experience in addressing poor infrastructure, corruption, bureaucracy, and uncertainty, as argued by Buckley et al. (2012) or privileged access to resources and markets, economies of scale, as well as advantages of coping with adversity, as argued by Bhaumik et al. (2016) and Ramamurti (2009)], few studies have offered satisfactory explanations for Brazilian firms.

3. Data and Methods

3.1. The Inductive Case Rationale

Our aim in this paper is to extend existing theoretical explanations of the factors contributing to the late, but intense internationalization of large Brazilian MNEs. Since little empirical evidence exists on the topic, we apply an inductive multiple-case study approach. Such an approach can provide us with a better understanding of the unexplored dynamics of the phenomenon (Eisenhardt and Graebner, 2007, Yin, 1981), and a stronger base for theory building: "…the theory is better grounded, more accurate, and more generalizable (all else equal) when it is based on multiple case experiments" (Eisenhardt and Graebner, 2007: 27).

3.2. The Sample

We employ an inductive, multiple-case study approach and investigate five well-established Brazilian MNEs that showcased a similar trajectory in their late internationalization process (see Table 1a). This particular group of firms is interesting because, although they are characterized as relatively late entrants to international markets (Fleury and Fleury, 2009), several have now become global leaders (Carneiro and Brenes, 2014), with four of them featured in Boston Consulting Group's (100) Global Challengers (BCG, 2016).

*** insert Table 1a ***

All selected companies are manufacturers, catering to a wide cross-section of the domestic market. They have enjoyed for many years a very strong position in the domestic market. For example, at the time of data collection (2013-2014), BRF was the world's seventh largest food company, the largest poultry exporter and the second largest meat exporter in the world. JBS was the world's largest beef producer. Marcopolo was one of the largest manufacturers of bus bodies in the world. Tigre was the largest producer of pipes in South America and stood among the largest in the world. Metalfrio was the second largest manufacturer of commercial refrigerators. The similarity across these five cases (in terms of the same country origin and leadership in the home market) allows for a literal replication strategy (Yin, 2013) and avoids confounding of other characteristics of firms and environments that might also influence internationalization patterns. Yet, this relative homogeneity across the cases does not allow for immediate generalization to other contexts (e.g., other countries or other types of firms).

Through our data collection efforts, we wished to gain an appreciation of facts that could be provided only by well-informed insiders. Accordingly, we interviewed executives occupying key positions in their firms, ensuring that they were knowledgeable about the history and the characteristics of their organizations and their internationalization paths.

*** insert Table 1b ***

3.3. Data Collection and Analysis

Initially, we examined a comprehensive set of archival data and reports, along with data from secondary sources. We gathered data and insights from articles and notes published in the business press, especially through an electronic search of business newspaper *Valor Econômico* and the business magazine *Exame*. In particular, we searched for material on the internationalization of the firms, also combing the pages of websites maintained by the firms.

This initial data gathering stage was imperative so as to set the background of the investigated firms, and clarify their position in their perspective markets, particularly during their international expansion endeavors. Furthermore, such material provided corroboration of the intense international expansion. However, the explanations (beyond the mere descriptive data that is usually published in the business press) that supported such expansion came only from the primary data.

As a second step, we carried out face-to-face, open-script, interviews with senior executives in the selected firms. While we interviewed just a single executive per company, we chose very knowledgeable executives (either directors or CEOs), who either had been in the company at the beginning of the period of intense internationalization or else occupied a top-level position that allowed them to understand the company's history, competences and challenges.

Since ex-post facto rationalization is always a threat when retrospective data is collected, we did not direct questions that might allow the interviewees to infer our logic (and maybe adjust their responses accordingly). In fact, we never asked about (slack) resources, but rather inquired freely about their reasons for internationalization versus expansion in the domestic market, risks and challenges of international operations and how they were addressed, as well as about the choice of entry modes and their learnings from their internationalization ventures.

The interview script was quite flexible, as we allowed the executives to talk freely over those general issues. From their responses and triangulation with secondary data, we inferred the impact of slack resources and changes in the domestic market conditions as the combination of drivers that spurred intense internationalization.

4. The Interview Findings

Two principal themes emerged from the in-depth interviews: (a) resources possessed by these firms at the time of internationalization; and (b) conditions under which these companies were pushed into internationalization.

4.1 Resource Prowess prior to Internationalization

Respondents emphasized their firms' resource prowess prior to the surge of internationalization, particularly on their innovative prowess, product quality, operational expertise and service excellence in their respective industries. Clearly, these firms did not need to go abroad in search of strategic assets – they had developed them from their home country operations.

To give an example, BRF had already achieved high economies of scale at the plant level and the country level, positioning the firm well above competition in terms of exports. It produced high quality products (chicken and pork), possessed production and distribution excellence, as well as innovation proficiency – all capabilities promptly deployable in the new markets[1]. JBS executives noted that originating from a large domestic market gives the firm some scale advantage: 'It starts from a high V_0. […] Scale is fundamental.' Similarly, Tigre, with a track record of around 700 new products every year, and fifteen percent of its turnover generated by its newly launched products, was also well-known among the construction firms for the quality and innovative properties of its products. In fact, according to research from Interbrand, its estimated brand asset value corresponded to around 40 percent of the value of the company.

[1] … effectively deployed through a "Global Sourcing and Intelligence System in procurement for monitoring risks and opportunities in the most important production chains", as reported in Company reports on the synergies developed from the increasing international activities.

Furthermore, being established as early as the 1940s (Tigre in 1941 and BRF in 1949), these companies presented a very rich history and management proficiency. Their executives highlighted their managerial and leadership ranks, strengthened by new talent, while retaining members of the initial founding teams on their board of directors. Some respondents talked at length about their company's rich expertise in domestic mergers and acquisitions prior to internationalization. This experience provided them with a unique experience into the integration hurdles and allowed them to better foresee the challenges of similar activities in foreign markets.

For example, BRF was the successful result of the merger of the two largest Brazilian firms in the poultry industry. When the firm decided to speed up internationalization, the company chose FDI whenever exports were not feasible: '[...] it is cheaper to produce chicken in Brazil and export to the Middle East than to produce there… yet, some large markets are not always accessible through exports. In that case, we pursue FDI via acquisitions or even greenfield investment,' said a BRF executive. Similarly, JBS had grown in Brazil by means of acquisitions, developing a rich expertise. JBS's Director confided that the firm found it easier to identify cheap targets for acquisition than to grow organically.

Importantly, these executives all noted the excess liquidity and access to financial resources (through capital markets or other funding institutions) that were available to them prior to internationalization. Being large players in their respective markets, and having achieved high efficiency of scale and scope, these companies enjoyed high market shares and favorable profit margins. To provide an example, JBS, having the support of BNDES (Brazilian Development Bank), which poured a huge amount of money into the company -- both in loans and in equity capital, through a (never officially stated) "national champions" program -- never felt financially constrained. Hence, it could exploit in foreign markets its expertise on acquiring firms. It sought firms in financial distress, but with good operations and brands, such that the company could pay a lower price for them and achieve high turnaround profitably.

BRF received a smaller, though still substantial, financial support of BNDES in the form of loans and capital contribution, which helped offset part of the loss that Sadia (merging with Perdigão to form BRF) had incurred into from a disastrous financial derivatives operation in the past. Interestingly, even the executives of those firms that were not part of the (unofficial) "national champions" program, such as Marcopolo, Tigre and Metalfrio, commented on their ability to accumulate financial resources from their own operations to fund their international expansion drives.

4.2 Motives to internationalize

While the studied firms had accumulated valuable resources and capabilities, the domestic market was deemed either saturated or simply too costly for further exploitation and capitalization, conditions that led them to consider internationalization as an important growth avenue. It is therefore not surprising that these Brazilian firms seemed to have adopted a market-seeking strategy when first internationalizing, rather than a resource- or strategic asset-seeking strategy. When the executives were asked about their motivations to internationalize in the first place, many indicated their desire to expand sales via internationalization. Efficiency-seeking drivers were also noted, but these were only secondary to market-seeking objectives.

Executives interviewed reported as their major driver for internationalization the preservation of growth rates and profitability margins via market development strategy. For example, JBS working at (plant wide) maximum efficient scale and enjoying scale economies before internationalizing, had identified a ceiling in the volume of products sold in the domestic market. Hence any further growth could only have come from internationalization. Accessing cheaper funding and exploiting arbitrage benefits (differences in product prices across markets) were further motives for JBS to internationalize.

BRF, prior to internationalization, had faced severe regulatory restrictions in terms of further acquisitions in Brazil, imposed by CADE (equivalent to the U.S. Federal Trade Commission). Hence, as stated by a senior executive: '[…] the trend to go abroad was only natural. Although there were no impediments to growing organically in the domestic market or to innovate, this growth […] would eventually reach a limit.'

Similarly, Marcopolo, despite enjoying a strong position in the Brazilian market, with more than 40 percent of market share, faced fierce competition, which could easily cut into its profit margins. Thus, internationalization enabled the firm to step away from domestic competition and, at the same time, practice global sourcing, to achieve lower production costs. Selling abroad presented lower costs and increased overall profit margins, given less intense competition in some countries.

In addition, some of these firms (e.g., BRF and Tigre) had already reached virtual saturation in their main premium market segments, so that further volume growth at home could only be achieved by serving lower quality, lower price, markets – which was contrary to their strategic positioning – or else via long-term wait for the natural advent of new well-off buyers.

Finally, BRF, JBS, and Metalfrio executives stated that internationalization of the firm was also heavily motivated by the stifling regulatory constraints at home which restricted the company's expansion domestically. Given the regulatory restrictions to their growth through further acquisitions in Brazil, these firms saw the external market as a natural way to keep growing.

It is noteworthy to add that although seeking resources or strategic assets abroad was not the primary reason to internationalization for any of the firms (contrary to what has been argued in the literature, e.g., Guillen and Garcia-Canal, 2010; Luo and Tung, 2007; Yamakawa, Peng, and Deeds, 2008) – although each eventually acquired some strategic assets abroad. For example, BRF contends that they have learned about unconventional commercial practices in the Middle East – with respect to selling to low-income consumers and small businesses -- which can be applied to other emerging markets as well, including Brazil. Tigre and JBS executives maintain that their U.S. operations have been very important for learning purposes. Also, since the firms have grown through acquisitions abroad, they have been exposed to latest ideas and best practices, applicable to different operations in multiple countries. Marcopolo admitted gaining invaluable technical know-how and expertise from its international experience. This was also the reason why it invested in Portugal (necessitating strict quality demands from suppliers and buyers). Metalfrio further argued that purchasing a well-known brand abroad can help the firm boost its sales in the domestic market and globally. “By consolidating all acquired brands under Metalfrio brand is a way to start putting my little brand everywhere in the world,” noted the company’s Director.

5. Discussion

5.1. Drivers of Late Internationalization by Large Brazilian Firms

Our interviews and secondary information led a to key conclusion: these firms did not necessarily go international in search of resources and capabilities, an argument that has been referred to as the ‘springboard theory’ of internationalization (Luo and Tung, 2007). Nor did they seem to base their international success solely on exploiting home country comparative advantages, contrary to other findings (e.g. Rugman, 2009). Rather, already enjoying a strong domestic position –derived from firm-specific advantages – these firms had accumulated an abundance of resources and capabilities, which would have gone underutilized in the domestic market. While the lack of further growth possibilities in the domestic market acted as a motivator, the presence of ample, but untapped resources and capabilities, gave these firms a realistic start in their intense international forays. As Ramamurti (2012: 45) noted: "[t]he notion that firms must have ownership advantages before they can engage in market-seeking internationalization seems to hold up well even for EMNEs". Development of competitive advantages prior to moving abroad has also been reported for firms from other emerging markets (Brenes et al., 2014).

Our research made it evident that two conditions paved the way to late but aggressive internationalization on the part of these firms. Domestic market leadership allowed these firms to accumulate a critical mass of available excess resources. Thus, we argue that the presence of *organizational slack,* acquired prior to internationalization, and at the same time, limits to domestic growth opportunities, tended to push these firms to cultivate foreign market opportunities more intently.

We further argue that three specific categories of organizational slack were predominantly recognized as contributors to accelerated internationalization of the firms studied: operational, managerial, and financial slack. We now elaborate on these.

Operational slack refers to available intangible firm-specific resources such as: (a) cost-efficiencies due to economies of scale and scope; (b) customized product design skills; (c) R&D excellence (especially in product quality and innovation); (d) technical service (maintenance) skills; (e) recognized corporate brand; (f) branding (especially, in the domestic market) and marketing expertise; and (g) experience in distribution (especially, in the domestic market). These resources can be deployed without jeopardizing their use in their current applications (Sharfman et al., 1988; Singh, 1986). Studies have shown that knowledge-based resources (technological prowess, distinctive operational processes and innovations) positively affect multinationality (Tseng et al., 2007).

Managerial slack refers to administrative and control prowess, experience, and business expertise of the management team that can be easily deployed in new markets. As an example, evidence of prior experience in mergers and acquisitions would enable companies to utilize FDI as a mode of entry in prospective markets.

Financial slack is identified as the profitability and excess liquidity of the firm. Excess financial resources and the ability of a firm to raise funds have been reported to influence international activity (Tseng et al., 2007; Buckley et al., 2016). In our interviews, executives commented both on the level of financial availability but also on the case of funding at the time of internationalization.

In Table 2, we provide specific evidence for the existence of these three types of organizational slack in each of the firms. In the discussion that follows, we provide a fuller elaboration of how organizational slack appears to have paved the way for the internationalization of these firms under the changing home market conditions.

*** insert Table 2 about here ***

5.2. The Role of Organizational Slack in Internationalization

Conceptually, *organizational slack* refers to the 'cushion of actual or potential resources which allow an organization to adapt successfully to internal pressures for adjustment or to external pressures for change in policy, as well as to initiate changes in strategy with respect to the external environment' (Bourgeois, 1981: 30). From an organizational perspective, slack can be very beneficial to the organization. First, acting as a defense mechanism–a buffer–against turbulent times (Cyert and March, 1963), slack offers the organization the necessary flexibility to quickly respond and adapt to changes in its environment (Bourgeois, 1981; Poynter and White, 1977). Second, slack can offer the necessary *maneuvering room* for firms to engage in experimental projects (whose payoffs are difficult to predict) and pursue opportunities in the domestic or international market that they would normally avoid in resource-constrained environments (Dolmans, van Burg, Reymen, and Romme, 2014; Nohria and Gulati, 1996). Third, slack can act as a buffer mechanism against intra-organizational problems, by allowing diverse goals to be simultaneously pursued within the organization, consequently reducing internal political activity and intra-departmental conflict (Bourgeois, 1981).

It is, therefore, not surprising that scholars have already proposed that deployment of excess organizational resources are conducive in implementing new strategies. Such resources can provide the firm with the necessary platform to overcome the barriers and costs of expanding in a foreign market (Lin, Cheng, and Liu, 2009; Poynter and White, 1984; Tseng et al*.,* 2007). The presence of slack is a critical source of managerial discretion (Cyert and March, 1963) in overcoming the uncertainties deriving from "liability of foreignness" (Zaheer, 1995), while offering the necessary room for rapid growth in a new market (Tan, 2009), both crucial conditions to successful internationalization.

To successfully survive and grow in a foreign market, a firm should grow rapidly to “reach a size at which its operations are cost-competitive with incumbent firms” (Tan, 2009: 1046). The presence of excess resources is almost a prerequisite for success. Excess resources can help firms grow through experimentation (Bourgeois, 1981; Lin et al., 2009; Nohria and Gulati, 1996) and the exploitation of new opportunities in the international markets (George, 2005; Voss, Sirdeshmukh, and Voss, 2008), with the minimum disturbance on the operations of the parent company (Larsson and Finkelstein, 1999). Such abundance of resources allows the latecomers in global markets, such as the Brazilian firms studied, to effectively overcome the liability and competitive disadvantage they have against their established counterparts, by being more flexible and innovative, and promptly responding to the requirements of globalization (Guillen and Garcia-Canal, 2009).

The availability of slack resources in an emerging market context may be even more instrumental for internationalization. Internationalization requires both high initial capital and subsequent abundance of resources to overcome the barriers and risks stemming from liability of foreignness and late entry. Yet, in emerging markets, resource accessibility is rare. Product factor markets are inefficient and are not equally accessible to all actors (Ghemawat and Khanna, 1998), discouraging firms from any resource-intensive activities such as international expansion. The presence of information asymmetries (Khanna and Palepu, 2000; 2006) heightens the risks of internationalization even more. After all, internationalization is based on reliable knowledge of the foreign market conditions, trade restrictions, and overseas competition, so that the company can choose where to expand, and properly adapt to the requirements of the foreign environment (Liesch and Knight, 1999, Buckley et al., 2012). Furthermore, restrictions in accessing external funding (Khanna and Palepu, 2000) impose an extra barrier to internationalization activities. In emerging countries, private domestic firms have often been deterred from accessing external funding bodies. For example, in China, although state-owned enterprises' expansive plans were for many years highly supported, similar opportunities were not offered to private ventures, which were denied both state funding and access to China's stock exchange market (Yamakawa et al., 2008).

Past research has placed great emphasis on the role of resources in ensuring the successful engagement within new markets (Tseng et al*.,* 2007). While, firm-specific resources have been presumed as a necessary condition for (successful) internationalization (Hymer, 1960; Dunning, 1988), the literature has provided scant evidence of the role of slack resources in emerging markets as a driver of internationalization. Our findings corroborate and provide further support for the key role of slack resources for rapid internationalization, particularly for late internationalizers from emerging markets.

5.3. The Triggering Role of Unfavorable Conditions in the Home Market

Our research suggests that slack resources are a vital element for internationalization, especially when intense internationalization is sought. Nevertheless, they became instrumental when the prospects for profitable further domestic growth were curtailed. In fact, it was unfavorable home-market conditions that became the "critical incidence" (Bell et al., 2003; Kalinic & Forza, 2012) triggering the use of the slack resources for intense international forays.

Based on above evidence and discussion, we can advance a formal proposition as follows:

> *Intense, though late, international expansion of large Brazilian firms can be attributed to:(i) the possession of previously accumulated organizational slack -–operational, managerial and/or financial; and (ii) motivating conditions (e.g., increasing*

competition at home, shrinking domestic market shares, legal restrictions to growth in the domestic market, and rising cost of doing business at home.)

6. Conclusion

In this study, we employed an inductive case study approach to resolve the puzzle of what made it possible for five leading Brazilian firms to engage in late but aggressive internationalization. The analysis reveals that in all five cases, the common denominator was the presence of slack firm-specific resources and capabilities. These successful Brazilian firms all possessed, and successfully deployed, some combination of operational, managerial and/or financial slack.

With respect to operational slack, the five Brazilian firms exhibited a unique blend of tangible and intangible resources, such as technological innovations, product quality, operational efficiency, marketing and distribution expertise, operational excellence, and branding capabilities, which could easily be redeployed in the international markets of their expansive plans. With regards to managerial slack, almost all firms exhibited rich firm-specific and industrial experience and particularly substantial experience in mergers and acquisitions. Finally, with respect to financial slack, these firms presented clear financial liquidity from prior operational capacity and/or easy access to external funding.

Our study suggested that changes in some domestic market conditions external to the firms, which made it less feasible to grow profitably at home, served as a motive for internationalization. However, it was clearly the existence of slack resources that made it possible to implement aggressive international drives. Thus, it was the combination of unfavorable home country conditions with the presence of organizational slack that prompted the concentrated international expansion of the firms investigated here. Our findings are in line with the premise that in emerging markets, organizational slack is more likely to be a facilitator for firm expansion beyond national borders.

As with all studies, the current one does not come without any shortcomings. Main limitation of the study is its small sample of companies the insights are based upon. Although the purpose of the study concentrated on offering first insights on the factors that motivated and triggered late internationalization of Emerging Market leaders, the fact that we based our findings on five cases alone limits the generalizability of our proposition. To assess the generalizability, it is necessary to test the results through different research designs, such as a comprehensive survey. Furthermore, and given the diversity in institutional environments and the characteristics of firms across different EMs, the findings reported here need to be validated in other country settings. Even within the Latin American context, the behavior of Multilatinas may differ from one to another.

Another limitation of the study resonates from the limited number of interviewees that participated in the study. Although this choice was purposeful so we can understand the motives of the decision makers at the time, we acknowledge that further insights can be drawn by analyzing the opinions of other members of the executive team as well. Unfortunately, this was not accomplished. Similarly, another limitation is the retrospective trait of the study. Time perspective and lack of memory always make the retrospective research design problematic. A more extensive longitudinal study could resolve these issue, offering further validation of our initial insights.

Finally, we acknowledge that the scope of our study remains somewhat limited to the factors and triggers of internationalization. Yet we further need to better understand how the institutional differences in Latin America may bear an impact on general internationalization patterns of the Multilatinas. In particular, future research should focus on differences of *Where to* (which countries), *What* (activities internationalized), *Who* (role of decision-makers) and *How much* (performance effects), derived from being originated from Latin America (or other emerging markets for that matter). Another worthwhile theme is whether state ownership has a distinct impact on the internationalization patterns of the Multilatinas. Also, family firms, non-listed companies and firms related to business groups – quite pervasive in many other EMs – may have distinct internationalization profiles regarding motivations, ownership advantages, country selection and entry modes.

Table 1a: Background on firms studied

BRF. A producer of processed meat (mainly poultry and pork, but also beef), that also competes in milk, margarine, pasta, pizzas and frozen vegetables businesses. BRF is the result of a merger, in 2009, of the two largest Brazilian firms in the poultry business (Sadia and Perdigão). One of these firms (Sadia) was established in **1949** and the other (Perdigão) in **1934**. **Internationalization History**: Sadia initiated exports in 1975. At the time of data collection (2013), 41 percent of the Company's revenues was generated in international markets; of which 32 percent in Middle East, 22.5 percent in the Far East, 17.5 percent in Europe, 10 percent in Eurasia and the rest in all other countries. The company established joint ventures in technology in 1989 (Japan) and in production in 1990 (Portugal); it had processing facilities in Abu Dhabi, Argentina, the Netherlands, and UK; and commercial offices in Dubai, Japan, Singapore and UK. Perdigão adopted further FDI activities in the 70's, reaching Japan in 1985 and Europe in 1990; it operated one distribution center in Europe and had commercial offices in several countries: Austria, France, Hungary, Italy, Japan, Netherlands, Portugal, Russia, Singapore, Spain, UK, and United Arab Emirates
JBS. Founded in **1953**, JBS is a producer of processed meat (mainly beef and poultry) that also competes in leather, products for pets, biodiesel, collagen, and cleaning products. **Internationalization History**: The company initiated exports to Europe in 1996. Along the 2000's, it acquired several production facilities globally. By 2011, JBS had 140 production facilities across the globe, including major operations in the U.S, China, Mexico, Russia, Paraguay, and Uruguay, while it adopted further FDI activities in Africa, Mexico, and the Middle East. The majority of revenues came mainly from the U.S. and Australia (73%) as well as South America (24%).
Marcopolo. One of the most recognized bus body manufacturers, the company was founded in **1949.** Their products are particularly well adapted to the harsh conditions of Brazilian (and other emerging market) roads. The company had developed strong ties with well-known manufacturers. **Internationalization History**: Marcopolo started exports (to Uruguay) as early as 1961. The company established wholly-owned production facilities in Portugal, Argentina, Mexico, South Africa; partnerships in production in China, India, Russia, Egypt and Canada; commercial offices in China; licensing agreements with China since 1999; and a training center in South Africa At the time of data collection (2013), the company generated 21 percent of its revenues from the international markets; of which 40% in Australia, 39% in Mexico and 13% in Africa.
Tigre. A manufacturer of pipes and fittings in PVC (polyvinyl chloride), brushes, PVC window frames, and water tanks. It was established in **1941** with the acquisition of an ox horn combs plant and in 1950 it started manufacturing pipes for plumbing. **Internationalization History**: The company initiated its international expansion in 1977 with a greenfield plant in Paraguay in association with local businessmen. As of mid-2014, the firm had 16 plants (mostly wholly-owned) in nine countries (Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, U.S., and Uruguay), besides 12 plants in Brazil–and is the leading manufacturer of pipes in Latin America. Its international area is now run from Chile, but the headquarters remains in Brazil.
Metalfrio. A manufacturer of commercial refrigerators (for beverages, ice creams, and frozen foods). Founded in Brazil in **1960**, it was acquired in 1992 by a German firm, which sold Metalfrio to a Brazilian

investment fund in 2004.

Internationalization History: Metalfrio undertook its first FDI in 2005 with a greenfield plant in Turkey. At present, the firm operates plants in Brazil, Mexico, Russia and Turkey and a distribution center in the U.S. and another in Mexico. Its international sales (in over 80 countries) are about 40 percent of total sales (as of 2013, exports from Brazil represented only around 5 percent of domestic production and plants abroad exported around 20 percent of their production; most plants produce for their local markets.

Table 1b: Timeline of some indicative internationalization activities

Internationalization Timeline (new plants & commercial offices)	**1930-1960**	**1960-1980**	**1980-2000**	**2000-2010**	**2010+**
BRF	Brazil	Saudi Arabia U.S.	S. America Japan	S. America UAE Abu Dhabi Argentina Europe	Middle East China Singapore Europe
JBS	Brazil	Brazil	Brazil	Argentina U.S. Australia Europe	Belgium Australia China Russia
Tigre	Brazil	Paraguay	Argentina Chile Bolivia	Ecuador U.S. Peru Paraguay Uruguay Columbia Ecuador	Peru
Marcopolo	Brazil	Uruguay Venezuela Japan	Argentina Mexico	S. Africa China India Egypt Russia Portugal	Australia Canada
Metalfrio	Brazil	Brazil	Brazil	Europe Latin America Russia Mexico U.S.	Turkey

	Turkey

Table 2: Evidence for the deployment of organizational slack

Firm	Instances of organizational slack found	How slack was deployed
BRF	Operational • Marketing capabilities (branding) • Brands (in foreign markets) • Marketing capabilities (distribution) • Scale efficiency and production capacity • R&D (product quality and product innovation) Managerial • Knowledge of unconventional commercial practices, applicable to emerging markets • Experience in mergers and acquisitions	• The firm's experience in branding helped it leverage the brands acquired abroad. • High export volumes, coupled with expertise in distribution, help the firm operate efficiently new warehousing facilities abroad. • Low operational costs (due to scale and scope economies) allowed the firm to take bolder initiatives. • Investments in R&D allow the company to cater to demanding markets abroad. • Knowledge of commercial practices tailored to particular characteristics of emerging markets can help the firm stand out from competitors.
JBS	Operational • Scale efficiency and production capacity • Financial cushion in operations • Marketing capabilities (distribution) • Opportunity for scale-efficient investment in warehousing and distribution Managerial • Experience in acquisitions	• Low operational costs (due to scale and scope economies) allowed the firm to take bolder initiatives. • Production and distribution expertise helped keep up the operations of the firms it acquired abroad. • Integration of local production and exports, coupled with brands acquired abroad, enhanced the efficiency of warehousing, distribution and marketing activities.
Marcopolo	Operational • Recognized corporate brand domestically • R&D (product quality and product innovation) • Technical service (maintenance) skills • Scale efficiency and production capacity	• Excellence in technical services reinforces the preference for its (better suited) products. • Low operational costs (due to scale economies) allowed the firm to take bolder initiatives.

Firm	Instances of organizational slack found	How slack was deployed
Tigre	Operational • Scale efficiency and production capacity • Recognized corporate brand domestically • Marketing capabilities (branding) • Marketing capabilities (distribution) • R&D (product quality & innovation)	• Low operational costs (due to scale and scope economies) allowed the firm to take bolder initiatives. • The quality of its products, reinforced by the firm's branding and distribution expertise, help the firm stand out from competition abroad.
Metalfrio	Operational • Foreign networks of (key account) clients • Marketing capabilities (branding) • Marketing capabilities (distribution) • R&D (product quality and product innovation) • Technical service (maintenance) skills • Recognized corporate brand and global corporate reputation • Well-known brands	• Relationship with key players in the beverage business (e.g., Coca-Cola) helped the firm serve them in foreign markets. • Excellence in operations has allowed Metalfrio to acquire a poorly managed firm with good brands abroad. • Access to markets and clients, coupled with brands recognition and with product quality and innovation, opens up a fertile land for expansion. • Low operational costs (due to scale economies), coupled with easy access to financial resources

Source: Data drawn from personal interviews as well as the analysis of archival reports, online information, and other secondary sources

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